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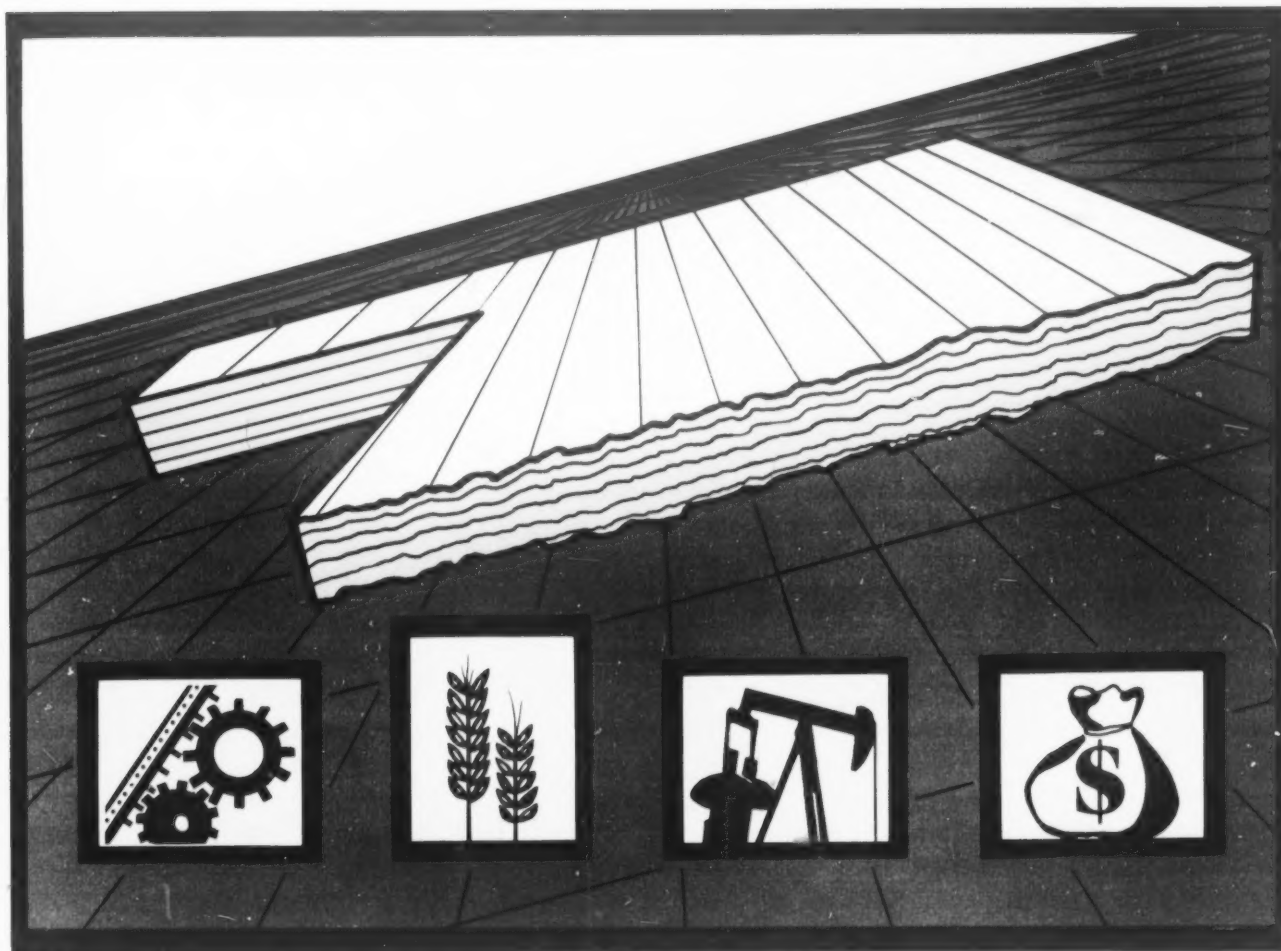
OKLAHOMA BUSINESS BULLETIN

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SUMMARY OF INDICATORS

Category	9 Mos. '88	9 Mos. '87	Sept. '88	Percentage Change	
				9 Mos. '88/'87	Sept./Aug. '88
Personal Income (Monthly Average)					
Unadjusted (\$000,000)	3,630	3,392	3,710	7.1	0.5
Adjusted for CPI (\$000,000)	3,087	3,002	3,097	2.8	-3.2
Crude Oil Production (000 bbl)	80,522 ^a	82,702 ^a	9,880 ^a	-2.6 ^a	1.2 ^a
Natural Gas Production (000 mcf)	1,332,960 ^a	1,342,081 ^a	134,862 ^a	-0.7 ^a	-18.3 ^a
Industrial Power Sales (000,000 Kwh)^b	6,413	6,140	348	4.4	1.6
Total Bank Deposits (Monthly Average) (\$000,000)^c					
Demand	7,571	7,520	7,440	0.7	-1.0
Savings	24,469	25,550	24,188	-4.2	-0.3
Savings and Loan Associations (\$000,000)					
Assets	10,439	9,835	10,688	6.1	-1.3
Mortgage Loans Closed	504	742	60	-32.1	-19.9
General Business Index	94.7	93.7	95.2	1.0	-0.1

Note: Includes revisions.

^a8 months and August data. Natural gas includes casinghead gas.^bSales of larger privately owned utility companies.^cTotal deposits of all depository institutions.

SELECTED ECONOMIC INDICATORS

Category	9 Mos. '88	9 Mos. '87	Sept. '88	Percentage Change	
				9 Mos. '88/'87	Sept./Aug. '88
PERMIT-AUTHORIZED CONSTRUCTION					
Residential—Single Family					
Dollar Value (\$000)	196,017	235,746	19,893	-16.9	-17.8
Number of Units	2,653	3,533	257	-24.9	-23.1
Residential—Multi Family					
Dollar Value (\$000)	5,651	14,832	1,738	-61.9	E
Number of Units	277	661	56	-58.1	E
Nonresidential					
Commercial (\$000)	109,361	118,747	7,990	-7.9	4.6
Industrial (\$000)	25,817	13,451	2,027	91.9	10.2
Institutional (\$000)	31,041	29,537	5,918	5.1	200.3
Nonbuilding					
Streets and Highways (\$000)	234,490	200,015	20,714	17.2	-30.7
All Other Nonbuilding (\$000)	4,975	7,347	214	-32.3	-53.3
Total Construction (\$000)	607,353	619,674	58,493	-2.0	-11.6
EMPLOYMENT TRENDS					
Total Labor Force (000) ^a	1,519.2	1,566.1	1,494.9	-3.0	0.3
Total Employment (000)	1,419.6	1,448.4	1,403.8	-2.0	0.2
Manufacturing (000)	156.4	154.1	158.5	1.5	-0.1
Mining (000)	43.7	45.6	43.1	-4.2	-1.4
Government (000)	246.9	247.0	247.3	0.0	5.6
Contract Construction (000)	32.1	34.0	32.1	-5.6	-7.8
Services (000)	235.7	231.3	240.9	1.9	0.4
Retail Trade (000) ^b	205.3	209.6	209.0	-2.1	-0.1
Unemployment Rate (%)	6.6	7.7	6.1	—	—
Average Weekly Hours					
Manufacturing (Per Worker)	40.9	41.1	41.0	-0.5	0.7
Average Weekly Earnings					
Manufacturing (\$ Per Worker)	421.99	415.02	428.45	1.7	1.3
Contract Construction (\$ Per Worker)	428.67	428.05	429.46	0.1	-2.0
Retail Trade (\$ Per Worker) ^b	191.12	193.24	192.51	-1.1	-0.6

Note: Includes revisions in some previous months.

^aCivilian Labor Force.^bExcluding eating and drinking places.

E = exceeds 600 percent.

RETAIL TRADE IN METRO AREAS AND STATE

(\$000)

Retail Trade	9 Mos. '88		9 Mos. '87		Sept. '88		Percentage Change		
	Adjusted	Adjusted	Adjusted	Unadjusted	Adjusted	Unadjusted	9 Mos. '88/'87	Sept./Aug. '88	Unadjusted
OKLAHOMA CITY MSA									
Food	1,726,526	1,675,602	202,324	196,804			3.0	-1.1	-9.2
Apparel	129,978	136,461	14,284	14,033			-4.8	0.1	3.9
General Merchandise	566,267	527,761	65,839	57,716			7.3	2.3	-10.0
Furniture	182,580	187,935	23,930	24,214			-2.8	9.8	8.2
Lumber	132,903	126,758	15,046	15,828			4.8	0.6	-5.1
Auto Dealers	1,462,872	1,184,383	186,495	172,560			23.5	-1.6	0.2
Service Stations	153,466	153,876	17,581	18,882			-0.3	13.3	8.7
All Other	570,436	546,945	62,844	57,802			4.3	-4.3	-3.3
Total	4,925,028	4,539,721	588,323	559,839			8.5	-0.4	-4.3
TULSA MSA									
Food	1,013,560	991,304	118,401	114,108			2.2	-1.1	-8.5
Apparel	118,530	126,622	12,544	11,967			-6.4	2.5	-5.1
General Merchandise	490,403	434,897	56,028	51,124			12.8	3.7	-4.7
Furniture	116,528	104,619	13,024	12,773			11.4	-15.4	-7.1
Lumber	100,466	104,467	12,588	12,919			-3.8	5.6	3.5
Auto Dealers	851,159	689,127	108,511	100,403			23.5	-1.6	0.2
Service Stations	126,084	126,411	14,444	15,513			-0.3	13.3	8.7
All Other	106,266	119,073	10,909	11,754			-10.8	-14.1	-0.2
Total	2,922,996	2,696,520	346,449	330,561			8.4	-0.7	-3.7
ENID MSA									
Food	83,831	84,468	10,306	9,752			-0.8	7.6	1.8
Apparel	12,203	13,657	1,476	1,318			-10.6	18.4	15.9
General Merchandise	37,939	36,233	4,269	3,644			4.7	-0.7	-12.8
Furniture	9,447	9,006	990	965			4.9	-8.3	-8.3
Lumber	11,865	11,976	1,218	1,251			-0.9	-22.7	-24.8
Auto Dealers	83,726	67,786	10,673	9,876			23.5	-1.6	0.2
Service Stations	11,310	11,344	1,295	1,391			-0.3	13.3	8.7
All Other	26,094	26,343	2,756	2,614			-0.9	-8.8	-18.5
Total	276,415	260,813	32,983	30,811			6.0	0.6	-3.6
LAWTON MSA									
Food	142,329	142,440	16,101	15,106			-0.1	-1.4	-13.6
Apparel	16,253	16,459	1,939	1,890			-1.3	20.2	17.9
General Merchandise	111,299	103,969	12,724	10,483			7.1	0.6	-13.3
Furniture	21,290	19,896	2,362	2,184			7.0	-10.9	-15.4
Lumber	13,122	14,737	1,340	1,351			-11.0	-4.6	-13.9
Auto Dealers	111,574	90,338	14,224	13,161			23.5	-1.6	0.2
Service Stations	7,722	7,744	884	950			-0.3	13.3	8.7
All Other	27,914	31,944	3,052	3,200			-12.6	-2.3	9.4
Total	451,503	427,527	52,626	48,325			5.6	-0.7	-7.5
MUSKOGEE AREA									
Food	96,595	101,049	11,691	11,655			-4.4	7.9	-1.4
Apparel	16,003	14,584	2,189	2,121			9.7	23.5	22.8
General Merchandise	35,180	30,969	3,799	3,397			13.6	-3.8	-9.7
Furniture	8,904	9,624	1,066	1,098			-7.5	19.0	21.1
Lumber	3,274	3,967	399	440			-17.5	18.8	21.5
Auto Dealers	70,372	56,985	8,970	8,301			23.5	-1.6	0.2
Service Stations	9,885	9,929	1,133	1,216			-0.4	13.8	8.7
All Other	25,825	27,452	2,579	2,313			-5.9	-9.3	-12.8
Total	266,038	254,559	31,826	30,541			4.5	3.5	-0.3
STATE*									
Durable Goods	5,041,627	4,308,288	618,001	585,076			17.0	-1.4	-1.5
Auto Dealers	3,654,956	2,959,399	465,961	431,140			23.5	-1.6	0.2
Accessory Dealers	248,420	247,093	28,226	27,409			0.5	-0.8	-10.3
Total Automotive	3,903,376	3,206,492	494,187	458,549			21.7	-1.6	-0.5
Furniture	257,065	241,204	29,757	29,459			6.6	0.9	-2.7
Household Appliances	174,783	170,222	18,251	17,934			2.7	-3.7	-7.6
Total Furniture and Appliances	431,848	411,426	48,008	47,393			5.0	-0.9	-4.6
Lumber and Building Materials	415,327	418,915	46,474	49,166			-0.9	-3.2	-6.3
Hardware Stores	49,536	47,240	5,253	4,968			4.9	-2.1	-7.1
Total Lumber, Building Materials & Hardware	464,863	466,155	51,727	54,134			-0.3	-3.1	-6.4
Nondurable Goods	8,000,711	8,186,590	914,644	878,024			-2.3	2.0	-7.7
Apparel	448,426	469,007	49,588	47,983			-4.4	3.0	1.0
Drug Stores	372,347	407,257	43,035	39,864			-8.6	0.9	-2.5
Eating and Drinking Places	1,408,732	1,416,912	160,681	157,221			-0.6	3.3	-4.7
Food Group	3,259,447	3,415,898	379,120	364,634			-4.6	-0.1	-11.7
Service Stations	503,913	505,277	57,733	62,003			-0.3	13.3	8.7
General Merchandise Group	1,476,124	1,417,347	165,802	149,497			4.1	2.1	-9.8
Total Retail Trade	13,042,338	12,494,878	1,532,645	1,463,100			4.4	0.6	-5.3

*Total includes data for categories not shown in the table.

RETAIL TRADE IN SELECTED CITIES (\$000)

Retail Trade	Percentage Change						
	9 Mos. '88	9 Mos. '87	Sept. '88		9 Mos. '88/'87	Sept./Aug. '88	
	Adjusted	Adjusted	Adjusted	Unadjusted	Adjusted	Adjusted	Unadjusted
Ada	124,450	119,761	14,863	13,946	3.9	-1.1	-6.8
Altus	113,004	107,007	13,744	12,651	5.6	4.5	-2.3
Alva	34,952	32,821	4,079	3,889	6.5	-2.5	-9.9
Anadarko	43,509	40,440	5,032	4,673	7.6	-3.2	-15.7
Ardmore	173,843	162,263	20,259	18,635	7.1	3.2	-7.2
Bartlesville	176,092	166,289	20,771	19,466	5.9	1.5	-4.3
Blackwell	31,227	26,295	3,475	3,314	18.8	-3.2	-9.1
Broken Arrow	175,918	155,321	21,148	20,142	13.3	-0.3	-3.8
Chickasha	85,428	78,042	10,288	9,892	9.5	0.9	-1.0
Clinton	60,358	52,740	7,299	6,760	14.4	-3.1	-8.7
Cushing	49,227	46,466	5,765	5,482	5.9	-1.1	-1.9
Del City	98,104	98,458	11,807	11,282	-0.4	3.3	-0.4
Duncan	139,885	115,881	15,622	14,719	20.7	-7.3	-9.5
Durant	95,473	89,039	11,053	10,466	7.2	1.0	-7.6
Edmond	223,242	189,819	26,684	25,549	17.6	0.3	-8.3
Elk City	69,630	62,344	8,321	7,746	11.7	-0.5	-9.4
El Reno	71,884	65,019	8,855	8,474	10.6	-1.9	-5.9
Guthrie	47,503	43,479	5,620	5,270	9.3	-2.2	-13.0
Guymon	40,420	38,073	4,941	4,731	6.2	2.0	-5.2
Henryetta	43,358	39,793	4,920	4,538	9.0	-2.8	-14.8
Hobart	21,238	19,929	2,514	2,324	6.6	1.9	-4.5
Holdenville	24,991	23,354	3,004	2,780	7.0	-1.5	-3.5
Hugo	25,565	23,658	3,000	2,838	8.1	2.5	-2.6
Idabel	33,980	32,586	4,024	3,717	4.3	-0.1	-11.6
Lawton	429,232	406,252	49,571	45,966	5.7	0.9	-7.7
McAlester	91,289	83,890	10,555	9,891	8.8	3.6	-4.6
Miami	101,764	96,604	11,957	11,276	5.3	1.6	-0.5
Midwest City	315,241	294,452	36,247	33,542	7.1	-1.0	-7.9
Moore	120,074	117,302	13,390	13,058	2.4	1.1	-1.8
Muskogee	257,745	244,032	30,788	29,447	5.6	3.3	-1.0
Norman	569,620	504,225	67,527	65,553	13.0	-2.6	-6.6
Oklahoma City	2,486,500	2,330,933	300,209	285,585	6.7	-0.6	-3.3
Okmulgee	47,322	45,413	5,539	5,290	4.2	2.3	-4.1
Pauls Valley	38,152	33,191	4,355	4,175	14.9	-3.7	-12.0
Pawhuska	15,125	14,186	1,698	1,693	6.6	0.2	-10.5
Ponca City	149,317	134,545	17,415	16,766	1.0	2.2	-2.0
Poteau	42,751	37,504	5,347	5,000	14.0	5.5	4.7
Sand Springs	76,183	71,669	8,977	8,431	6.3	-3.1	-9.6
Sapulpa	115,304	106,863	13,812	12,899	7.9	1.5	-5.6
Seminole	52,848	49,889	6,159	5,679	5.9	-1.5	-9.0
Shawnee	232,938	205,475	26,854	25,707	13.4	5.0	0.6
Stillwater	219,016	202,660	25,153	24,867	8.1	2.0	-11.2
Tahlequah	67,243	66,336	7,591	7,429	1.4	1.6	-4.3
Tulsa	2,213,367	2,043,421	261,110	251,605	8.3	0.1	-2.7
Watonga	15,717	15,141	2,029	1,933	3.8	5.6	-5.4
Weatherford	49,997	45,453	5,869	5,688	10.0	0.4	-5.1
Wewoka	10,303	9,861	1,300	1,268	4.5	6.3	5.8
Woodward	103,242	93,960	12,016	11,089	9.9	-2.5	-10.9
Total Selected Cities	9,823,571	9,082,134	1,162,556	1,107,121	8.2	0.0	-4.6

Sources for all tables: Local utilities companies; 10th Federal Reserve District Member Banks; Federal Home Loan Bank of Topeka; Oklahoma Employment Security Commission; United States Department of Commerce, Construction Statistics Division; Oklahoma Department of Transportation, *Progressive Report of the Transportation Director*; Center for Economic and Management Research, College of Business Administration, The University of Oklahoma. The data for all tables were compiled by Marjorie E. Earley, Statistician for CEMR and Brian Hickey, Research Assistant.

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ENID AND LAWTON MSAs

Category	9 Mos. '88	9 Mos. '87	Sept. '88	Percentage Change	
				9 Mos. '88/'87	Sept./Aug. '88
ENID MSA					
Employment (Number)					
Labor Force ^a	29,522	30,494	28,550	-3.2	-1.6
Total Employment	27,917	28,206	27,175	-1.0	-1.3
Unemployment Rate (%)	5.5	7.3	5.0	—	—
Industrial Power Sales (000 Kwh)	348,015	342,574	32,930	1.6	-12.1
PERMIT-AUTHORIZED CONSTRUCTION					
Residential—Single Family					
Dollar Value (\$000)	570	1,273	120	-55.2	—
Number of Units	6	14	1	-57.1	—
Residential—Multi Family					
Dollar Value (\$000)	0	0	0	0.0	0.0
Number of Units	0	0	0	0.0	0.0
Nonresidential					
Commercial (\$000)	804	452	36	77.9	-88.1
Industrial (\$000)	0	1,194	0	—	0.0
Institutional (\$000)	300	0	0	—	0.0
Nonbuilding					
Streets and Highways (\$000)	2,692	660	0	308.1	—
All Other Nonbuilding (\$000)	152	307	0	-50.5	-98.2
Total Construction (\$000)	4,519	3,887	156	16.3	-88.1
LAWTON MSA					
Employment (Number)					
Labor Force ^a	49,489	49,756	48,050	-0.5	-1.4
Total Employment	46,789	47,264	45,450	-1.0	-1.3
Unemployment Rate (%)	5.5	5.0	5.4	—	—
Industrial Power Sales (000 Kwh)	149,580	147,066	19,819	1.7	18.8
PERMIT-AUTHORIZED CONSTRUCTION					
Residential—Single Family					
Dollar Value (\$000)	10,435	14,606	776	-28.6	-30.7
Number of Units	135	228	9	-40.8	-40.0
Residential—Multi Family					
Dollar Value (\$000)	180	400	0	-55.0	0.0
Number of Units	6	16	0	-62.5	0.0
Nonresidential					
Commercial (\$000)	3,522	2,813	490	25.2	E
Industrial (\$000)	830	20	0	E	0.0
Institutional (\$000)	1,390	1,400	0	-0.7	0.0
Nonbuilding					
Streets and Highways (\$000)	7,962	712	5,965	E	—
All Other Nonbuilding (\$000)	0	0	0	0.0	0.0
Total Construction (\$000)	24,318	19,951	7,231	21.9	518.3

Note: Includes revisions.

^aCivilian Labor Force.

E = exceeds 600 percent.

MUSKOGEE MA

Category	9 Mos. '88	9 Mos. '87	Sept. '88	Percentage Change	
				9 Mos. '88/'87	Sept./Aug. '88
Employment (Number)					
Labor Force ^a	31,586	32,678	31,350	-3.3	1.7
Total Employment	28,700	30,019	28,450	-4.4	1.9
Unemployment Rate (%)	9.2	8.8	9.3	—	—
Industrial Power Sales (000 Kwh)	130,316	147,716	15,048	-11.8	17.2
PERMIT-AUTHORIZED CONSTRUCTION					
Residential—Single Family					
Dollar Value (\$000)	216	885	0	-75.6	0.0
Number of Units	2	9	0	-77.8	0.0
Residential—Multi Family					
Dollar Value (\$000)	0	75	0	—	0.0
Number of Units	0	2	0	—	0.0
Nonresidential					
Commercial (\$000)	400	6,645	0	-94.0	0.0
Industrial (\$000)	0	20	0	—	0.0
Institutional (\$000)	0	0	0	0.0	0.0
Nonbuilding					
Streets and Highways (\$000)	3,180	623	0	407.4	0.0
All Other Nonbuilding (\$000)	5	0	0	—	0.0
Total Construction (\$000)	3,781	8,248	0	-54.2	0.0

Note: Includes revisions.

^aCivilian Labor Force.

TULSA MSA

Category	9 Mos. '88	9 Mos. '87	Sept. '88	Percentage Change	
				9 Mos. '88/'87	Sept./Aug. '88
Employment (Number)					
Labor Force ^a	339,733	349,978	334,900	-2.9	-1.1
Total Employment	315,222	319,889	312,600	-1.5	-0.8
Manufacturing	47,889	47,100	48,800	1.7	0.8
Mining	14,956	15,244	14,900	-1.9	0.0
Government	35,633	35,500	36,000	0.4	5.9
Wholesale and Retail Trade	69,322	69,922	69,200	-0.9	-0.4
Unemployment Rate (%)	7.2	8.6	6.7	—	—
Average Weekly Earnings					
Manufacturing (\$ Per Worker)	444.57	435.44	450.60	2.1	3.1
Industrial Power Sales (000 Kwh)	1,684,270	1,570,369	208,093	7.2	1.4
Mortgage Loans Closed (\$000,000)	165.4 ^b	197.9 ^b	27.6 ^b	-16.4 ^b	14.5 ^b
Bank Deposits (\$000,000)^c					
Demand Deposits	903	852	897	6.1	-1.6
Time and Savings Deposits	2,169	2,323	2,203	-6.6	-0.6
Air Transportation					
Passengers Enplaning (Number)	1,022,801	1,061,851	107,954	-3.7	-13.1
Passengers Deplaning (Number)	1,030,362	1,076,994	107,604	-4.3	-17.7
Freight (Tons)	16,457	11,701	2,090	40.6	1.2
Water Transportation					
Tulsa Port of Catoosa					
Tons In	356,646	399,396	31,667	-10.7	-9.5
Tons Out	835,967	929,940	98,472	-10.1	-1.0
PERMIT-AUTHORIZED CONSTRUCTION					
Residential—Single Family					
Dollar Value (\$000)	83,169	96,677	8,686	-14.0	-8.2
Number of Units	1,085	1,394	114	-22.2	-11.6
Residential—Multi Family					
Dollar Value (\$000)	1,378	11,095	80	-87.6	—
Number of Units	58	516	2	-88.8	—
Nonresidential					
Commercial (\$000)	45,966	16,743	670	174.5	-38.5
Industrial (\$000)	15,018	9,144	1,884	64.2	223.1
Institutional (\$000)	10,690	10,944	2,228	-2.3	—
Nonbuilding					
Streets and Highways (\$000)	32,853	28,716	2,653	14.4	-55.2
All Other Nonbuilding (\$000)	3,109	3,586	151	-13.3	-58.3
Total Construction	192,183	176,906	16,352	8.6	-6.2
General Business Index	88.3	87.1	90.1	1.3	-0.9

Note: Includes revisions.

^aCivilian Labor Force.^bBy Savings and Loan Associations, 8 Months and August data.^cDeposits of large commercial banks (accounted for 50 percent of all commercial bank deposits as of December 31, 1987).

OKLAHOMA CITY MSA

Category	9 Mos. '88	9 Mos. '87	Sept. '88	Percentage Change	
				9 Mos. '88/'87	Sept./Aug. '88
Employment (Number)^a					
Labor Force ^a	497,178	510,089	490,200	-2.5	-0.1
Total Employment	470,256	478,311	465,000	-1.7	0.1
Manufacturing	47,322	47,178	48,000	0.3	0.4
Mining	10,967	11,400	10,800	-3.8	0.0
Government	95,166	95,833	96,100	-0.7	4.0
Wholesale and Retail Trade	98,822	100,489	99,900	-1.7	0.5
Unemployment Rate (%)	5.4	6.2	5.1	—	—
Average Weekly Earnings					
Manufacturing (\$ Per Worker)	472.55	450.02	487.62	5.0	2.8
Industrial Power Sales (000 Kwh)	914,881	910,744	111,556	0.5	-0.8
Mortgage Loans Closed (\$000,000)	83.4 ^b	161.9 ^b	14.4 ^b	-48.5 ^b	35.8 ^b
Bank Deposits (\$000,000)^c					
Demand Deposits	821	916	830	-10.3	-3.4
Time and Savings Deposits	1,136	1,707	1,162	-33.4	-0.3
Air Transportation					
Passengers Enplaning (Number)	1,119,094	1,144,848	124,202	-2.2	-12.7
Passengers Deplaning (Number)	1,130,387	1,157,704	121,196	-2.4	-19.1
Freight Enplaned (Tons)	5,935	4,461	602	33.0	-56.1
Freight Deplaned (Tons)	8,244	7,293	924	13.0	-38.5
PERMIT-AUTHORIZED CONSTRUCTION					
Residential—Single Family					
Dollar Value (\$000)	87,368	104,427	8,785	-16.3	-26.0
Number of Units	1,217	1,662	111	-26.8	-31.1
Residential—Multi Family					
Dollar Value (\$000)	1,374	915	0	50.3	—
Number of Units	75	44	0	70.5	—
Nonresidential					
Commercial (\$000)	47,979	77,991	6,323	-38.5	69.0
Industrial (\$000)	5,297	2,663	12	98.9	-99.0
Institutional (\$000)	13,240	11,305	3,590	17.1	378.6
Nonbuilding					
Streets and Highways (\$000)	52,893	43,818	935	20.7	-86.2
All Other Nonbuilding (\$000)	1,468	3,132	47	-53.1	-17.1
Total Construction (\$000)	209,620	249,250	19,692	-15.9	-19.8
General Business Index	92.2	88.7	94.6	3.9	0.3

Note: Includes revisions.

^aCivilian Labor Force.^bBy Savings and Loan Associations. 8 months and August data.^cDeposits of large commercial banks (accounted for 36 percent of all commercial bank deposits as of December 31, 1987).

Business Highlights

NEIL J. DIKEMAN, JR.

BUSINESS CONDITIONS in Oklahoma during the first three quarters of 1988 presented a mixed picture with some elements of the economy continuing to gain strength while others either remained flat or declined. The gains which occurred in retail sales, manufacturing and personal income, however, more than matched the losses experienced in the financial sector, mining and construction thus causing the Oklahoma General Business Index to show a slight gain. These changes as well as what they portend for 1989 are discussed in the paragraphs which follow.

Retail Trade

After adjustment for seasonal variations, retail trade during the first three quarters of the year continued to exceed the volume of 1987 by slightly more than the rate of inflation despite a modest 0.6 percent increase in adjusted sales during September. The increases during the year raised the volume to nearly \$13 billion which is 4.4 percent above the \$12.5 billion registered for the same period last year. At the present rate of growth, and if retail sales follow expected seasonal patterns, the volume by year's end could reach \$16.4 billion which will be an in-

crease of 5.1 percent over the total for 1987 and thus would represent an increase in sales after adjustment for inflation of about 1 percent.

The gain thus far this year is attributable to the 17 percent rise in sales of durable goods which in turn was due primarily to a 21.7 percent increase in sales of automobiles and auto accessories. Other notable gains among durable goods lines were those of 6.6 percent in furniture sales, 4.9 percent in sales of hardware and 2.7 percent in appliance sales. These increases were tempered somewhat, however, by a decrease of 0.9 percent in lumber and building materials.

Sales of non-durable goods continue to remain well below year ago levels although the deficit from last year's volume was only 2.3 percent which is the lowest thus far this year and marks the seventh successive month that the margin between 1988 sales and those of 1987 has declined. Sales in all non-durable lines except general merchandise were below the volume for the same period last year with the decline of 8.6 percent in drug stores sales being the largest. As mentioned earlier, general merchandise line sales rose for the fourth consecutive month and as a result were 4.1 percent greater than for the same period last year.

Unfortunately, the increase in sales during the first nine months of 1988 is not general throughout all areas. The larger trade centers in the State were the major contributors to the overall gain as is noted by the fact that the four MSAs (i.e. Oklahoma City, Tulsa, Enid and Lawton) had an aggregate increase of \$600 million which represents an 8.2 percent gain while Muskogee, the fifth large trade center, experienced a 4.5 percent rise for the period thus raising the total for the five centers 8.1 percent ahead of the same period last year. The large cities within these five major trade areas were significant contributors to the overall increase as sales in these cities increased 8.0 percent. However, sales in the smaller towns and communities which account for about 15 percent of the trade center sales were 8.4 percent above the 1987 level. Cities outside the major trade centers also contributed heavily to the overall increase as sales in these cities were 8.5 percent above their year ago volumes. Turning to a more solemn note is the overall experience of smaller towns and rural areas outside the areas included in the markets of the five trade centers where sales were off year ago totals by 13.6 percent. These data are detailed in the accompanying table.

Changes in Retail Sales in Areas of Oklahoma
First 9 Months of 1987 Versus First 9 Months of 1988

Area	Sales		Change (Percent)
	1988 (\$ Millions)	1987 (\$ Millions)	
Five Trade Centers	8,842	8,179	8.1
MSA Large Cities and Towns	7,514	6,954	8.0
Rest of MSAs	1,328	1,225	8.4
Non MSA Large Cities and Towns	2,310	2,128	8.5
Rest of State	1,890	2,188	-13.6
Total, Oklahoma	13,042	12,495	4.4

Employment

Average monthly employment in Oklahoma during the first three quarters of 1988 continued to remain below the 1987 level despite a fractional rise of 3,000 jobs in September. As a result, total employment in the State was 2 percent below the average for the first nine months of 1987.

The decrease in average monthly employment in mining, construction, retail trade and the All Other category, totaled more than 35,000 workers which caused the overall decline. The decrease in these employment sectors was, however, partially offset by an increase of 2.3 thousand new workers in manufacturing and 4.4 thousand jobs in the service trades thus leaving the monthly average for the year about 28.5 thousand below last year.

At the current rate of change there is little hope that any meaningful changes can occur in the employment situation throughout the remainder of the year. This being the case, the average monthly level by year's end is expected to reach about 1,420,000 jobs which will represent a drop of 2 percent from the 1987 average.

Banking and Finance

Deposits in all depository financial institutions declined modestly in September which held the average deposit levels for the year 3.1 percent below that for the same period in 1987. It should be noted that, during the year thus far, demand deposits have continued to maintain a positive margin over year ago figures of about 1

percent while savings deposits have remained about 4 percent below last year. This would suggest that all categories of savings account holders are seeking types of savings mechanisms which will maximize their interest income.

It is significant that a comparison of June 1988 commercial bank data with comparable December 1987 data, both of which were released by the Federal Deposit Insurance Corporation, indicate that commercial bank deposits of all types of deposits (i.e. demand, NOW, Super NOW and Savings) held in commercial banks had risen significantly between the two periods. This being the case, savings deposits in regulated depository institutions other than commercial banks must have experienced the deposit losses.

Savings and Loan Associations have continued to fare reasonably well so far in 1988 insofar as assets are concerned. These assets, which include among other things, loans, the value of repossessions, the deposits of these institutions in other depositories, etc., rose by 6.1 percent during the first nine months of this year over a like period a year ago. However, the value of mortgage loans closed during the period declined by 32.1 percent from last year which is indicative of the restricted market for such loans as well as the increased attention management of these institutions is giving the viability of loans in general and mortgage loans in particular.

As far as the rest of the 1988 is concerned, it is likely that savings deposits in all regulated depository institutions

will continue to flow into other types of investments and therefore will remain about 4.5 percent below the 1987 total for the rest of the year. Conversely, demand deposits will likely remain about 1 percent higher by the end of the year. Assets of Savings and Loan operations will probably stabilize at levels which are about 6.5 percent above 1987 while mortgage loans closed will be about 34 percent less than in 1987.

Construction

After running slightly ahead of last year's construction activity throughout the first eight months of 1988, the fall seasonal slump again impacted the industry in September and reduced the total for the first three quarters by 2 percent from 1987. Not surprisingly, this decline closely parallels the drop in construction employment for the year to date. As might be expected, construction activity in all types of residential housing remained well below last year at this time. However, the All Other category of nonbuilding construction which includes sewer and water lines and related activities experienced an unusually sharp drop of 53.3 percent in September which reduced the level for the year 32.3 percent below last year at this time. On the brighter side, offsetting increases over levels of 1987 occurred in industrial building—up 91.9 percent, street and highway construction—up 17.2 percent and institutional building—up 5.1 percent. This latter increase was due essentially to a threefold rise in September. Construction in the five metropolitan areas presented a mixed picture with significant decreases occurring in Oklahoma City (-15.9 percent) and Muskogee (-54.2 percent). These, however, were largely offset by increases in Lawton (21.9 percent), Enid (16.3 percent) Tulsa (8.6 percent) and all areas in Oklahoma outside the five metropolitan areas (8.0 percent).

The current status of the construction industry including the continued weakness in residential building and the all other non-building sector as well as the onset of the seasonal lag in

activity during fall and winter months indicates that construction activity during 1988 will drop even further behind 1987 than is the case at this time. The outlook now is for the value of construction activity in the State to end the year at about \$783 million which would be a decline of approximately 3 percent.

Manufacturing

Manufacturing activity continued to expand in 1988 as measured by industrial power sales and manufacturing employment. Industrial power sales rose 1.6 percent in September to raise the total for the first three quarters 4.4 percent ahead of the same period in 1987. This indication of growth was further reflected in the fact that average monthly manufacturing employment for the year exceeds the 1987 average by 1.5 percent. Based on the growth patterns evidenced thus far this year, manufacturing output should end the year about 4 percent ahead of last year while manufacturing employment is expected to reach 160 thousand jobs which will be an increase of approximately 1 percent over the average for 1987.

Crude Oil and Natural Gas Production

Crude oil and natural gas production during the first nine months of 1988 both lag output for the same period a year ago. For crude oil production, the decline represents a continuation of the downward trend begun in 1985 while in the case of natural gas, the decline from year ago levels was triggered by a better than 50 percent decrease in the August output which was a reflection of the hotter weather experienced during that month.

Crude oil production during the remainder of the year should be a continuation of the pattern during the earlier portion of the year so that by year's end, the volume is expected to be down by about 3 percent to slightly more than 128 million barrels—the lowest volume of output since well before 1950. Natural gas production, on the other hand, should recover easi-

ly from the sharp August downturn and thereby end the year about 1.5 percent ahead of the 1987 volume as the colder weather experienced in November and expected for December push the demand to more than 2 trillion cubic feet.

Personal Income

The September increase in total personal income raised the level for the first nine months to \$32.7 billion dollars which was 7.7 percent ahead of the same period last year. After adjustment for inflation the total real personal income exceeded that of the same period in 1987 by 2.8 percent, meaning that the real purchasing power of Oklahomans has risen significantly during the year.

It appears now that personal income received by Oklahomans during 1988 will be between \$44 and \$45 billion compared with \$41.4 billion in 1987. This suggests that the increase in total personal income stated in current dollars will be from 6 to 8 percent greater than was received last year.

General Business Index

Despite a fractional decline in the General Business Index during September, the average monthly index during the first nine months of the year remained about 1 percent ahead of the average for the same period a year ago. If business activity in the State follows its usual pattern, the average index will reach 95.0 by December which represents an increase of about 1 percent over 1987.

Outlook, 1989

Assuming that the national economy continues to grow, even modestly, during 1989, the State's economy should continue to show improvement in many sectors.

- Consumers in the West South Central area of the country (of which Oklahoma is a part) have indicated an increase in their intentions to purchase such big ticket items as automobiles, furniture and appliances which

indicates that, at worst, the rate of change in retail sales experienced in 1988 should carry over into 1989. As a result, the volume of sales in current dollars should increase by between 5 and 7 percent during the year with the major portion of the rise being attributable to a significant increase in durable goods sales while nondurable sales are expected to remain flat.

- The recent pattern of changes in employment does not lend confidence that any significant changes will occur in the near future. However, new industrial construction activity which is expected to take place during 1989 could result in gains in that sector. The possibility exists that the expected employment increases in this industry might offset the decreases expected in mining and the trades and thus hold the level of wage and salary employment at about the 1988 level. Also, if the price of oil rises to \$18 per barrel as the OPEC countries expect, employment in the mining sector could also rise significantly which, when coupled with the possible upturn in construction employment, then could cause total employment to increase by between 0.5 and 1 percent.
- The banking and finance sector can expect the drain on savings deposits in all institutions to continue but at a much slower pace in 1989 as the problems in the banking portion of the industry abate. However, demand deposits should continue to rise at the rates experienced throughout 1988 thus reducing the rate of decline of all deposits to about 2 percent. This would leave the level of deposits in the State's financial institutions at near \$31.5 billion.
- Construction in Oklahoma during 1989 should remain at near 1988 levels as expected increases in industrial construction should

offset further decreases in residential and commercial building activity. The key to any increases in this sector of the economy is the extent to which meaningful growth occurs in street, highway and other nonbuilding activity. Should expenditures by these latter segments of the construction industry reach levels set in 1984, the total dollar volume of construction activity during 1989 would be about 2 percent above the 1988 level. However, present trends suggest that the 1989 volume will be about the same as 1988.

- Manufacturing activity, which expected to increase about 4 percent over the 1987 output total, should continue this rate of increase throughout 1989. This

would result in about a 1 percent increase in manufacturing employment over 1988.

- Crude Petroleum production is expected to continue its downward trend in 1989 although at a somewhat reduced rate if oil prices reach and stabilize at \$18 per barrel. However, at the present rate of decrease, crude oil production will decline by between 3 and 4 percent during 1989. If, on the other hand, the price of oil goes to \$18, the decline could be about 2 percent.

Natural gas output, conversely, is projected to increase about 2 percent in 1989.

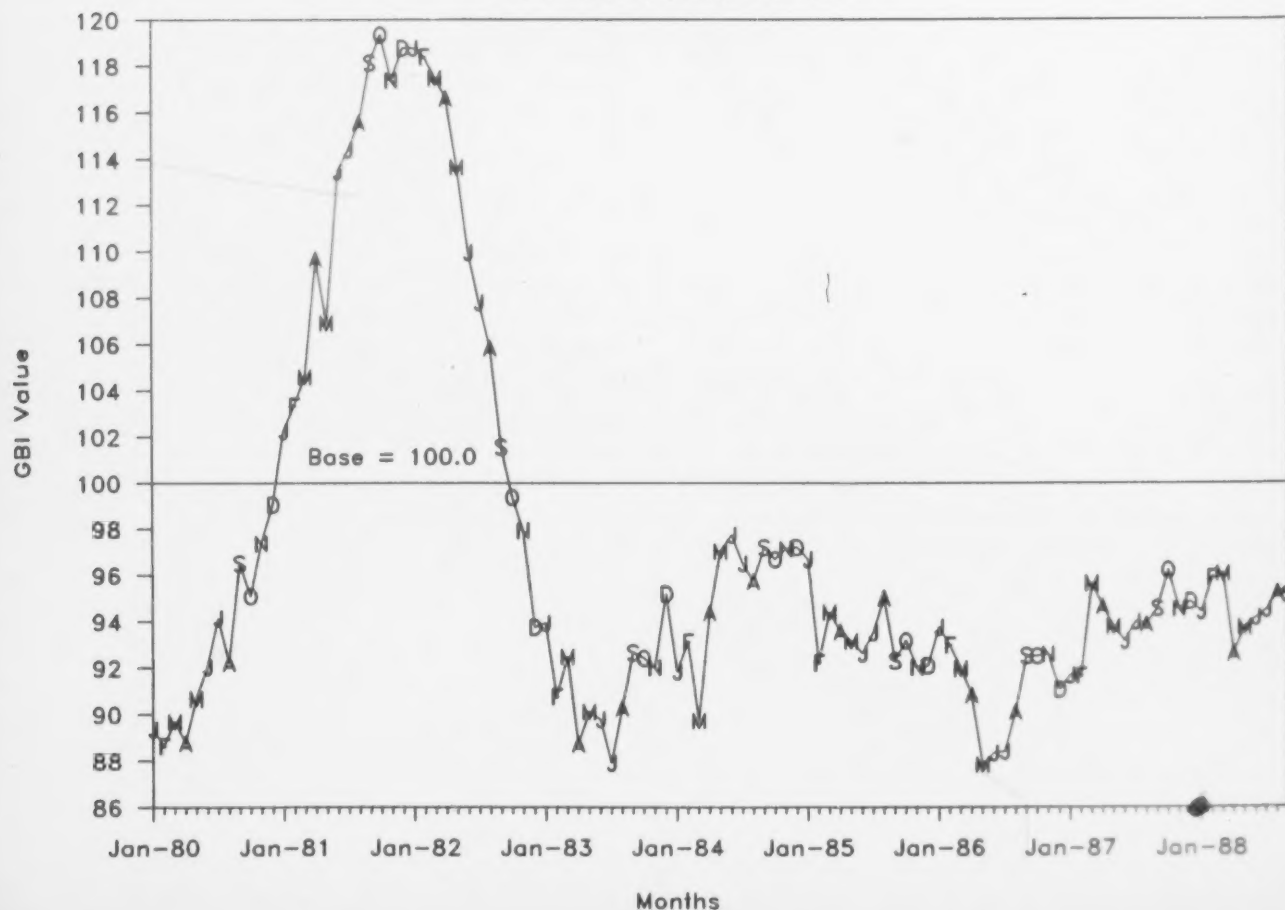
- Personal income, which has risen sharply in 1988, should continue this pattern in 1989 and could ex-

perience an increase of 8 percent or more during the year in terms of current dollars. This rise assumes of course that the national economy will continue the growth pattern of the past three months throughout 1989.

- The General Business index has moved up rather erratically during 1988 but nevertheless it has shown growth. 1989 should be a year of more consistent growth with fewer decreases and therefore an annual increase of as much as 2.5 percent should occur during the year.

Neil J. Dikeman, Jr. is Associate Director for the Center for Economic and Management Research.

Oklahoma State General Business Index
January 1980 through September 1988



ORIGINS: Oklahoma Resources Integrated General Information Network System

HARLEY LINGERFELT

IN 1987, THE OKLAHOMA LEGISLATURE passed an historic piece of legislation, the Economic Development Act of 1987. This Act reorganized and created new institutions to assist in the revitalization of the Oklahoma economy. A major part of this Act directed the Oklahoma Department of Commerce to develop and manage an economic development information system. The Act states:

"The Department shall develop and manage a complete economic information system which will support the five-year planning process, and will make available to all interested parties complete and timely information on the state economy. The economic information system shall be operated by public or private Oklahoma universities or an Oklahoma enterprise capable of providing such services in a cost-effective manner." 74 O.S. § 5003.7.

State economic information systems are not new. In a survey by Dr. Tabitha Doescher of Oklahoma State University, sixteen states were found to have economic information systems. However, an economic information system for Oklahoma is a new endeavor. After the passage of the Economic Development Act, the Department of Commerce entered into contracts with the Center for

Economic and Management Research at the University of Oklahoma and the Office of Business and Economic Research at Oklahoma State University to assist in the development and operation of the information system. It was determined that significant components of an economic information system already existed at the two universities and at the Department of Commerce. The system was named ORIGINS or Oklahoma Resources Integrated General Information Network System.

Mission/Goals

The mission of the ORIGINS program is to provide centralized, cost-efficient, accurate, timely and effective flows of information for economic development, analysis, planning and policy making in the State of Oklahoma. The ORIGINS program will develop, implement, operate and maintain the system as well as stimulate interest and usage among divergent user communities.

In order to ensure that the design for ORIGINS would be understood by all as well as followed and that progress could be monitored and reported in a timely manner, a plan was developed by the universities and the department. The hallmark of this plan was the

declaration of seven goals to guide the development of ORIGINS. These goals are:

- Provide information resources for implementation of the state economic development plan.
- Meet identified information needs of a variety of users in communities, educational institutions and government.
- Establish organizational and personal linkages between users, providers and those who are knowledgeable about data.
- Build upon existing and successful economic development information systems.
- Construct an efficient information system that exhibits ease-of-use, state-wide accessibility and low operations costs.
- Promote system usage, provide training to potential users, encourage feedback from users and ensure that it remains user-oriented.
- Remain at the forefront of cost-effective technology in providing information services.

First-Year Operation

During the first year operation of the system, the main thrusts of the ORIGINS program were to establish organizational linkages, build a community of interest and consensus of direction, identify needs and determine feasibility of a specific system, design and implement a prototype system, plan for and execute the annual publication of the *Statistical Abstract of Oklahoma*, open the system for public use and develop plans to further program.

A considerable amount of time was required during this first year in delineating tasks between the universities and the Department of Commerce. The Center for Economic and Management Research (CEMR) was designated to handle the preparation and publication of the *Statistical Abstract*, a task they have been doing for over thirty years. CEMR was named coordinator of the ORIGINS project for the University of Oklahoma. The Center was also responsible for assisting in identifying data needs, establishing a University ORIGINS committee, and for translating the *Statistical Abstract* into machine-readable form for inclusion in the ORIGINS system.

The Office of Business and Economic Research (OBER) at Oklahoma State University was designated as the coordinator of the OSU ORIGINS project. OBER was responsible for establishing an OSU ORIGINS committee, assisting in identifying user needs, conducting an in-depth study of other state economic development information systems, and designing and developing the prototype system.

The Research and Planning Division of the Oklahoma Department of Commerce was given the responsibility of managing the overall system. In addition, the Division was responsible for establishing and conducting state ORIGINS advisory committee meetings.

As stated earlier, a major activity for the first year was needs identification. There were several efforts to identify the data needs of potential users of the

ORIGINS system. First, a broad-based survey of task force members from the 18 task forces set up to help for input into the state five-year economic plan, was utilized to obtain data needs. Second, a thorough examination of the several studies that have been done on problems related to Oklahoma's economic development was conducted. From these efforts, a comprehensive list of data needs was compiled.

The other major effort to survey potential users regarding their data needs involved conducting in-depth interviews with key economic development leaders in the state. The top three data needs defined in the interviews were community profiles, directory of manufacturers and listing of available buildings.

Development of Prototype System

During the contract period, an extensive examination of appropriate technology was conducted by OSU. They selected a microcomputer bulletin board system. This system consists of a bulletin board software package (PC Board) and IBM 386 clone. Users are connected on-line through the OSU computer network and its state packet switching stations.

To access ORIGINS, a modem is used to dial telephone numbers, which are referred to as packet switching stations. There are approximately one dozen stations across Oklahoma. After accessing the packet switching stations and thus ORIGINS, users are provided a menu of data items available. A variety of options are available under each heading. All data can be downloaded if the user desires.

A unique feature of ORIGINS is the "doors" feature. In order to execute the user request for data, the computer system temporarily exits the bulletin board through a "door" where a separate computer program executes the user's request.

Currently, the prototype system is set up to handle two sessions at a time. The system can be expanded to accommodate future needs. At this time, there is no charge for accessing

ORIGINS. However, there may be minimal charges assessed in the future.

Second Year Targets

The experiences of the first year have provided a wealth of information on which to build a vibrant data system. The targets for the second year as shown below reflect these experiences.

- Review general system objectives for feasibility and effectiveness.
- Improve accuracy, integrity and response timeliness of the system and develop monitoring techniques.
- Evaluate adequacy of prototype system.
- Identify a more permanent, suitable computer environment to allow for long-range planning and development.
- Engage in widespread distribution of the system and training in use of the system.
- Continue to identify additional data needs and incorporate into the system.
- Enhance user-interface facets of ORIGINS to improve ease of use and value-added capabilities of system.
- Further develop statistical, graphic, disk-based and other value-added products and services to enhance utility of system.
- Compile and publish the *Statistical Abstract of Oklahoma*.
- Enhance user-interface facets of ORIGINS.

As can be seen, the ORIGINS system will continue to broaden its capacity and capability. It is important to note that ORIGINS is not meant to be just a collection of data bases. The intent is to also provide other services such as modeling, pre-packaged reports, maps and graphs.

Future of ORIGINS

As should be apparent, there is no lack of ideas on items that need to be done to produce a robust and usable data system. The major players in this arena are in place and the future of ORIGINS appears secure.

The ORIGINS program seeks to serve the professional economic

developer and others with a data system second to none. Assistance from the user community will continue to be sought relative to improve the services of ORIGINS as well as the data bases it offers. Those interested in learning more about ORIGINS can contact Jeff Wallace at the Oklahoma Department of Commerce, (405) 843-9770 ext. 137 or Research and Planning Division,

6601 Broadway Extension, Oklahoma City, Oklahoma 73116-8214.

Harley Lingerfelt is Research and Planning Director for the Oklahoma Department of Commerce.

The Impact of the 1986 Federal Tax Reform Act On the Deduction of Federal Income Tax in the Oklahoma Tax Code

SCOTT TURNER

Introduction

OKLAHOMA INDIVIDUAL TAXPAYERS have the option of two tax schedules designated Method I and Method II. Method II has higher marginal rates than Method I but Method II allows the taxpayer to deduct federal income tax liability in the calculation of Oklahoma taxable income. Oklahoma tax liability is calculated using both methods and the taxpayer selects the smaller of the two.

Method II was incorporated into the Oklahoma tax code in 1979 to allow low and middle income tax filers a partial offset for their federal tax liability and the majority of Oklahoma taxpayers have selected it since that time. Method II is typically selected since it was originally designed in such a manner that most tax returns with Adjusted Gross Income (AGI) less than \$40,000 should benefit from it. However, the 1986 Federal Tax Reform Act will significantly affect the usefulness of Method II for Oklahoma taxpayers.

This study shows that there will be a very large decrease in the number of Oklahoma tax returns selecting Method II and a very large decrease in the tax reduction for returns still selecting Method II after the 1986 Federal Tax Reform Act is fully phased in by tax

year 1989. The results of this study also indicate that over 10 percent of the increased tax revenue to the state attributable to the Federal Tax Reform Act is in fact due to the impact of the tax reform act on Method II. The policy implication of this study is that the marginal tax rates of Method II must be reduced for all taxable income classes if the original intention of Method II is to be realized after federal tax reform.

Data and Methodology

The March 1985 Current Population Survey (CPS) was used as the data base for the microsimulation done in this study. This data file contains a sample of Oklahoma households that can be used to generate representative federal and Oklahoma tax returns. These tax returns were processed using current law and were then processed using the provisions of the 1986 Federal Tax Reform Act.¹ The work done in this study is similar to the tax policy work done in the TRIM Model.²

Results

It was observed in this analysis that the aggregate tax reduction resulting

from Method II will decrease from approximately \$35,000,000 before tax reform to approximately \$15,000,000 after tax reform. From the point of view of Oklahoma tax revenue the difference between tax reductions of \$35,000,000 and \$15,000,000 will result in a \$20,000,000 increase in state tax revenue.

Table 1 gives the percentage of Oklahoma tax returns that would select Method II prior to and after the 1986 Tax Reform Act. This Table is disaggregated by type of return and AGI class. From Table 1 it is seen that most Oklahoma tax returns with AGI between \$5,000 and \$40,000 would select Method II prior to the Tax Reform Act. After Federal Tax Reform the selection percentage declines with only a few tax returns with AGI over \$30,000 selecting Method II. There is also a large reduction for Method II's selection rate for returns with AGI between \$20,000 and \$29,999. For example, approximately 80 percent of all joint returns with AGI between \$30,000 and \$39,999 should select Method II prior to the Tax Reform Act but only five percent of these returns should select Method II after tax reform. For joint tax returns with AGI between \$20,000 and \$29,999 the selection percentage should drop from 95

TABLE 1
Percent of Oklahoma Tax Returns
Selecting Method II Prior to and after Federal Tax Reform

Type of Tax Return	AGI Class											
	\$5,000 to \$9,999		\$10,000 to \$19,999		\$20,000 to \$29,999		\$30,000 to \$39,999		\$40,000 to \$49,999		All ^a	
	Prior	Post	Prior	Post	Prior	Post	Prior	Post	Prior	Post	Prior	Post
Joint	30	20	90	80	95	55	80	5	30	—	75	40
Single	95	95	100	100	80	45	55	—	—	—	90	75
HH ^b	20	25	90	95	100	60	95	20	50	—	70	60

^aNo Method II returns were observed in the sample with AGI greater than \$50,000.

^bHead-of-Household Return.

TABLE 2
Average Tax Reduction
for Tax Returns Selecting Method II

Type of Tax Return	AGI Class											
	\$5,000 to \$9,999		\$10,000 to \$19,999		\$20,000 to \$29,999		\$30,000 to \$39,999		\$40,000 to \$49,999		All ^a	
	Prior	Post	Prior	Post	Prior	Post	Prior	Post	Prior	Post	Prior	Post
Joint	\$10	\$5	\$30	\$20	\$60	\$25	\$45	\$5	\$15	—	\$40	\$20
Single	\$20	\$20	\$80	\$80	\$80	\$40	\$30	—	—	—	\$80	\$50
HH ^b	\$10	\$5	\$40	\$25	\$90	\$40	\$90	\$10	\$30	—	\$50	\$25

^aNo Method II returns were observed in the sample with AGI greater than \$50,000.

^bHead-of-Household Return.

percent to approximately 55 percent. From Table 1 it is observed that the phase-out for Method II will drop from approximately \$40,000 to approximately \$30,000 as a consequence of the Federal Tax Reform Act.

Table 2 gives the average tax reduction for Oklahoma tax returns selecting Method II both prior to and after the Tax Reform Act. For example, the average tax reduction for joint tax returns selecting Method II with AGI between \$20,000 and \$29,999 declines from \$60 to \$25 as a consequence of the Federal Tax Reform Act. The average tax reduction for all joint returns selecting Method II falls from \$40 to \$20 as a consequence of the Tax Reform Act.

From Tables 1 and 2 it is observed that the value of Method II to Oklahoma taxpayers is greatly reduced as a consequence of the 1986 Federal Tax Reform Act. Table 1 indicates that there will be a large reduction in the number of Oklahoma tax returns selecting Method II and Table 2 indicates that there will be a large reduction in tax savings for returns still selecting Method II after the 1986 Federal Tax Reform Act is fully phased in.

Method II taxable income is obtained by subtracting federal tax liability from Method I taxable income. Method I taxable income will increase for some tax returns and federal tax liability will decrease for most Oklahoma tax returns that selected Method II prior to

federal tax reform. The net effect of these changes is that the typical Method II tax filer will have more Method II taxable income and be placed in a higher Method II marginal tax class. Consequently it should be expected that the tax reduction from Method II should fall. However, it is surprising that federal tax reform would have such a large impact on Method II.

Another item observed from the tax returns analyzed in this study is that none of the Oklahoma tax returns selected Method II using a marginal tax rate of over 10 percent either before or after the federal tax reform. Consequently the change implemented by the Legislature last year to reduce Method II's top marginal rate from 17 percent

to 10 percent will not affect any typical tax return.

Summary and Conclusions

The results of this study indicate that the 1986 Federal Tax Reform Act will greatly diminish the usefulness of Method II to Oklahoma taxpayers. The approximate phase-out of Method II will be reduced from AGI equal to \$40,000 to AGI equal to \$30,000. The overall tax reduction for Oklahoma taxpayers from Method II will be re-

duced from approximately \$35,000,000 to approximately \$15,000,000.

The reason stated for placing Method II in the Oklahoma tax code several years ago was to allow low and middle income Oklahoma taxpayers to deduct their federal tax liability. However, Method II was not designed to automatically adjust to large changes in the federal tax code. Consequently, Method II's marginal rate structure must be lowered (for all AGI classes) if the original intention of Method II is to be realized once again.

Notes

¹Scott Turner, "A Microanalytic Simulation of Federal Tax Reform on Oklahoma Tax Filing Units," *Oklahoma Business Bulletin* (March 1987), pp. 21-23.

²H. Beebout and P. Bonina, "TRIM: A Microsimulation Model for Evaluating Transfer Income Policy." Working Paper NO. 9714 (Washington, D.C.: The Urban Institute, 1973).

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Banking Conditions in Oklahoma and Surrounding States June 1988

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THE BANKING INDUSTRY in the southwest has generally exhibited weaknesses and instability during the past six years. Much of the deterioration in the industry has been due to the collapse of the energy industry in combination with the farm problems both of which are large contributors to the economies of the various southwestern states. Recent banking data indicates that some recovery from the problems faced by banks in this area is underway and that Oklahoma banks may be recovering more rapidly than banks in the surrounding states. This article provides an overview of the progress made by the average Oklahoma bank between December 1987 and June 1988. It also compares these changes with those of average of all banks in Arkansas, Kansas, Louisiana and Texas.

Oklahoma Banking

The problems which have confronted Oklahoma's banking industry since 1982 now appear to be slowly abating as is reflected by a comparison of data obtained from the June 1988 bank call reports with similar data elicited from the December 1987 report compiled by the Federal Deposit Insurance Corporation (see Table 1).

The most significant improvements noted during the study period were the 13.2 percent increase in average owners equity and the 11.4 percent rise in average total assets. A major portion of the increase in average assets can be attributed to a 14 percent increase in the average value of securities held by these banks and a 64.4 percent rise in federal funds sold including the revenue returns on such sales. Lesser gains which occurred in other asset categories however, tended to dampen the effects of these relatively large increases as shown in Table 2.

It is interesting to note that the sharp increases in average loan loss reserves from December 1987 to June 1988 raised the ratio of reserves for loan losses to loans by 0.2 percent (i.e. from 2.7 percent in December to 2.9 percent in June) which suggests that the banking industry has generally become more selective in its lending policies and is more willing to write off questionable loans.

The increase of 9.0 percent in average total deposits since December is likewise encouraging in that it reverses the two year decline in this important

TABLE 1
Changes in Average Assets, Deposits, Loans and Discounts,
Total Liabilities and Stockholders Equity and Net Income
of Oklahoma Banks
December 1987 and June 1988

Item	June 1988 (\$000)	December 1987 (\$000)	Change (Percent)
Total Assets	54,750	48,159	11.4
Total Deposits	47,779	43,950	8.7
Total Liabilities	50,674	45,487	11.1
Net Loans and Leases	25,382	23,874	6.3
Stockholders Equity	4,176	3,690	13.2
Net Income	24 ^a	(24)	NA

^a First six months.
NA = Not Appropriate.
Source: Call Reports, FDIC, December 31, 1987 and June 30, 1988.

TABLE 2
Average Assets of Oklahoma Banks
by Type of Asset
December 1987 and June 1988

Asset Category	June 1988 (\$000)	December 1987 (\$000)	Change (Percent)
Cash and Due from Banks	5,022	4,857	3.4
Total Securities	17,188	15,062	14.0
Fed Funds Sold	3,937	2,395	64.4
Total Loans and Leases	26,151	24,500	6.5
Less Loan Loss Reserve	769	685	12.3
Net Loans and Leases	25,382	23,814	6.3
Real Estate Owned	993	886	14.7
All Other Assets	2,251	2,105	6.9
Total Assets	54,750	49,150	11.4

Source: Call Reports, FDIC, December 31, 1987 and June 30, 1988.

TABLE 3
Average Deposits in Oklahoma Banks
by Type of Deposit
December 1987 and June 1988

Type of Deposit	June 1988 (\$000)	December 1987 (\$000)	Change (Percent)
Demand	8,658	7,794	11.1
NOW, Super NOW and Savings	15,541	14,167	9.6
Deposits of \$100,000 and above	7,566	6,973	8.4
All Other Deposits ^a	16,014	14,909	7.4
Total Deposits	47,779	43,843	9.0

^aIncludes foreign deposits.

Source: Call Reports, FDIC, December 31, 1987 and June 30, 1988.

element and occurred despite the fact that eight banks were closed during the period. The most significant relative change in the deposit structure of the average Oklahoma bank is the 11.1 percent increase in demand deposits while the largest dollar change is the \$1.4 million change in NOW, Super NOW and Savings accounts. Changes in these and other categories of average deposits are shown in Table 3.

Another important indication that the health of Oklahoma's banking industry is improving is the fact that net income of the average bank will apparently show a gain in 1988 and will thus reverse the losses incurred in 1986 and 1987. While the increase in net income during the year is not expected to be great, it nonetheless suggests that

the worst is over and that the industry will once again experience the growth patterns of the pre-1982 era. The fact that stockholders' equity in the average bank has increased since last December also represents a reversal of the past four years. This increase indicates that the average Oklahoma bank is stronger in terms of its capitalization and thus less susceptible to failure.

Banking in Surrounding States vs Oklahoma

In addition to evidencing growth during the six month period ending June 30, 1988, the condition of the average Oklahoma bank is significantly better than that of the average bank in

surrounding states despite the fact that the average bank in these states is nearly twice the size of the average Oklahoma bank. The most significant differences between the condition of banks in the states peripheral to Oklahoma are:

- Where total assets of the average Oklahoma bank increased 11.4 percent they rose by only 0.7 percent in the average bank in the other states.
- Net loans and leases in the average Oklahoma bank were up by 6.3 percent while this item declined by 0.4 percent in the other states.
- Total deposits in the average Oklahoma bank increased 9.0 percent but declined 0.1 percent in the other states.
- Stockholders equity which increased 13.2 percent in the average Oklahoma bank, decreased 5.0 percent in the other states.
- Net income of the average Oklahoma bank rose for the first six months of 1988 but continued to show a loss in the average bank in the other states.

These data are shown in greater detail in Table 4.

Summary

In summary, the recent banking data released by the FDIC show evidence that the banking industry in Oklahoma clearly improved during the first half of the year in all measures of bank operation. Moreover, the improvements noted thus far in the year are such that further gains are expected during the latter half of the year. The outflow of deposits from banks has apparently ceased and is beginning to return to banks; the demand for viable loans has increased; assets increased significantly; stockholders' equity has been increased and net earnings for the first six months have erased the losses incurred in 1987.

TABLE 4
Changes in Selected Banking Activities in Oklahoma Banks
Compared with Those in Surrounding States
by Activity
December 1987 and June 1988

Activity	Oklahoma (Percent Change)	Surrounding States (Percent Change)
Total Assets	11.4	0.7
Total Deposits	9.0	-0.1
Demand	11.1	-6.4
NOW, Super NOW, Savings	9.6	0.2
Deposits of \$100,000 or more	8.4	-2.2
All Other Deposits	7.4	8.2
Total Liabilities	11.1	1.0
Net Loans and Leases	6.3	-0.4
Stockholders Equity	13.2	-5.0

Source: Call Reports, FDIC, December 31, 1987 and June 30, 1988.

Not only has the banking structure in the State become stronger but its gains have largely been counter to the pattern in surrounding states. This divergence is best witnessed by the decreases which have occurred in loans and leases, deposits, stockholders' equity, net interest margin and net earnings in the institutions in the other states. This suggests that the actions taken by State and Federal regulators in closing problem banks in Oklahoma has strengthened the industry in the State.

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